

## Message Text

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63

ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 PM-09 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 GAC-01 USIA-12 TRSE-00

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IO-12 SS-15 NSC-10 DODE-00 RSR-01 /151 W

----- 057426

R 141750 Z MAY 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5030

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

USMISSION NATO

AMEMBASSY VIENNA

C O N F I D E N T I A L BONN 6899

E. O. 11652: GDS

TAGS: GW, RO, EFIN

SUBJECT: CEAUCESCU' S VISIT TO BONN

REF: ( A ) BONN 3661 (1972); ( B ) BONN A-136; ( C ) BONN 6433;  
( D ) BONN 5830

1. SUMMARY: PRELIMINARY PLANS FOR THE CEAUCESCU TENTATIVE VISIT TO BONN IN LATE JUNE ARE UNDERWAY. RECENT CONVERSATIONS BETWEEN THE FOREIGN OFFICE AND THE ROMANIAN EMBASSY REVEALED THE GOR DESIRE FOR NEW SUBSIDIZED FINANCIAL CREDITS. THE GERMANS TURNED DOWN THIS REQUEST. WE HAVE BEEN ASSURED AGAIN THAT, WITH THE PROBABLE EXCEPTION OF YUGOSLAVIA, THE FRG DOES NOT PLAN TO MOBILIZE OFFICIAL FUNDS TO SUBSIDIZE GERMAN EXPORTS TO OR INVESTMENTS IN EASTERN EUROPE. END SUMMARY.

2. ON MAY 3, FOREIGN OFFICE PARLIAMENTARY STATE SECRETARY MOERSCH MET WITH ROMANIAN EMBASSY OFFICIALS TO DISCUSS PRELIMINARY PLANS FOR THE CEAUCESCU VISIT TO BONN, PROBABLY IN LATE JUNE.  
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DURING THESE CONVERSATIONS, THE ROMANIANS RAISED THEIR EARLIER DEMAND FOR SUBSIDIZED FINANCIAL CREDITS.

3. BETWEEN JULY 1, 1970 AND DECEMBER 31, 1971 THE FRG PROVIDED ROMANIA DM 315 MILLION AT 4 PERCENT INTEREST TO COVER ROMANIAN DEBTS TO THE FRG FIRMS FALLING DUE DURING THIS PERIOD; THESE MONIES WERE DRAWN FROM THE DISASTER RELIEF FUNDS OF THE BUDGET, USING THE MAY 1970 FLOOD AS JUSTIFICATION. IN DISCUSSIONS IN MARCH, 1972, THE GERMANS REFUSED TO EXTEND THIS ASSISTANCE FOR 1972 ( REFTTEL A). THEY WERE SOMEWHAT SURPRISED, HOWEVER, THAT THE ROMANIANS DID NOT MENTION THE MATTER AGAIN UNTIL THE RECENT CONVERSATION WITH MOERSCH ( REF. B).

4. ACCORDING TO SIMON ( ECONOMIC RELATIONS WITH EASTERN EUROPE), THE ROMANIANS ON MAY 3 REQUESTED DM 300 MILLION IN SUBSIDIZED " INVESTMENT" CREDITS. THEY SAID THESE FUNDS WOULD BE USED TO ATTRACT GERMAN INVESTMENT IN ROMANIA. MOERSCH REPORTEDLY REFUSED, SAYING THAT THE DISASTER RELIEF SECTION OF THE BUDGET COULD NOT BE TAPPED AGAIN AND THAT NO OTHER FUNDS WERE AVAILABLE. HE SAID THE ONLY POSSIBILITY FOR OBTAINING SUCH FUNDS WAS FOR THE ROMANIANS TO ATTRACT A GERMAN FIRM TO PARTICIPATE IN A JOINT VENTURE PROJECT WHOSE TOTAL INVESTMENT REQUIREMENTS WOULD EXCEED DM 600 MILLION. ( OUR SOURCE SAID ROMANIAN LEGISLATION PROHIBITS FOREIGN OWNERSHIP OF MORE THAN 49 PERCENT OF A JOINT VENTURE IN ROMANIA.)

4. SIMON ADVISED THAT THE ONLY GERMAN FIRM CURRENTLY CONSIDERING SERIOUSLY A JOINT VENTURE INVESTMENT IN ROMANIA IS RENK AG IN NUERNBURG. IT IS INVESTIGATING THE POSSIBILITY OF INVESTING IN A PLANT TO PRODUCE TRANSMISSION SYSTEMS. SEVERAL OTHER GERMAN FIRMS INCLUDING KRUPP, DEMAG, AND OSRAM ( MUNICH), ARE REPORTEDLY IN ADVANCED NEGOTIATIONS FOR SUPPLYING ORDERS OF GERMAN EQUIPMENT TO ROMANIAN FIRMS.

5. MOERSCH'S REFUSAL ON THE SUBSIDIZED " INVESTMENT" CREDITS REPORTEDLY LED THE ROMANIANS TO CITE PRESS REPORTS THAT, DURING HIS RECENT TRIP TO YUGOSLAVIA, CHANCELLOR BRANDT HAD PROMISED PRESIDENT TITO SUBSIDIZED CREDITS AS PART OF A BILATERAL ECONOMIC COOPERATION PACKAGE ( REFTTEL C). THEY INSISTED THAT ROMANIA SHOULD RECEIVE SIMILAR TREATMENT. MOERSCH TOLD HIS INTERLOCUTORS THAT HE COULD NOT DISCUSS THIS POINT SINCE HE  
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HAD NOT BEEN INFORMED AS TO WHAT HAD BEEN AGREED DURING THE CHANCELLOR'S TRIP. ACCORDING TO SIMON, THE FOREIGN OFFICE DOES NOT YET KNOW WHAT WAS PROMISED IN YUGOSLAVIA; MOERSCH TRIED BUT FAILED TO GET THE DETAILS BEFORE THE MEETING WITH THE ROMANIANS. ( AS REPORTED REFTTEL C, A FINANCE MINISTRY SOURCE HAS CONFIRMED THAT THE CHANCELLOR WENT BEYOND HIS BRIEFING

PAPERS ON THE MATTER OF SUBSIDIZED CREDITS WHEN TALKING WITH  
TITO.)

6. SIMON CONFIRMED OUR EARLIER INFORMATION FROM THE ECONOMICS  
MINISTRY ( REFTEL D) THAT, WITH THE PROBABLE EXCEPTION OF  
YUGOSLAVIA, THE FRG DOES NOT INTEND TO PROVIDE OFFICIALLY  
SUBSIDIZED CREDITS TO EASTERN EUROPE. HE SAID ASSISTANT SECRETARY  
HERMES, WHO HAS HAD EXTENSIVE NEGOTIATING EXPERIENCE WITH EAST  
EUROPEAN DELEGATIONS, ADAMANTLY OPPOSES SUCH SUBSIDIES. WE  
UNDERSTAND THAT FOREIGN OFFICE OFFICIALS DO NOT THINK SUBSIDIZED  
CREDITS WOULD INCREASE THE FRG' S COMPETITIVE POSITION BUT  
MERELY SPUR THE FRENCH, ITALIANS, AND BRITISH TO GIVE MORE  
CONCESSIONARY RATES THAN IS CURRENTLY THE CASE. SIMON ALSO  
NOTED THAT NEW EXPORT SUBSIDIES WOULD RUN COUNTER TO THE  
GOVERNMENT' S CURRENT ECONOMIC STABILIZATION EFFORTS. FURTHERMORE,  
THE SPD- DOMINATED GOVERNMENT COULD SCARCELY JUSTIFY SUCH  
SUBSIDIES,  
WHICH WOULD PRIMARILY BENEFIT LARGE EXPORTING FIRMS, AT A TIME  
WHEN IT IS DENYING SMALLER AND MEDIUM- SIZE FIRMS REQUESTS  
FOR SUBSIDIES TO HELP MAINTAIN THEIR INTERNAL MARKETS, SAID  
SIMON. HILLENBRAND

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